DELTA ACCEPTANCE CORPORATION LIMITED

1962
ANNUAL REPORT

DELTA ACCEPTANCE CORPORATION LIMITED

Statistical Highlights

	Thousands of Dollars								
	1962	1961	1960	1959	1958	1957	1956	1955	1954
Receivables Outstanding	102,604	71,758	56,957	43,501	31,205	8,882	2,800	1,843	275
Capital Funds	23,315	17,422	14,709	11,246	8,325	2,444	785	350	93
Net Worth	12,392	8,673	7,487	5,890	5,644	1,194	535	249	92
Deferred Income	6,911	3,999	3,266	2,647	2,146	719	169	115	31
Total Volume	156,976	105,603	89,150	73,995	31,110	12,830	5,000	3,516	293
Gross Income	12,838	9,091	6,866	4,882	2,148	979	337	190	7
Earnings Before Income Tax	1,533	821	906	559	453	199	88	42	(9)
Provision For Taxes	696	418	467	264	220	94	31	11	—
Net Profit	837	403	439	295	233	105	57	31	—
Acceptance Branches	22	22	17	16	17	7	3	3	2
Small Loan Branches	99	77	54	37	15	4	0	0	0
Capital Equipment Branches	2	2	0	0	0	0	0	0	0
Insurance Branches	6	0	0	0	0	0	0	0	0
Total Branches	129	101	71	53	32	11	3	3	2

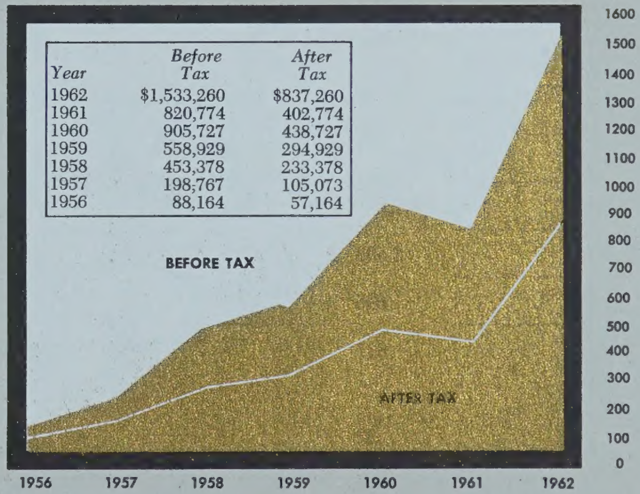
EARNINGS

In your Company's ninth year of operation, net earnings after provision for income taxes, increased 108% to $837,260 from $402,744. Net earnings, before providing for income taxes, increased 87% to $1,533,260 from $820,744. Gross income increased 41% to $12,838,032 from $9,091,392.

The 1961 Annual Report stated that it was the firm belief of Directors and Management that the operating base for future profits had been built, and consequently profits should substantially increase in 1962 and future years. The fact that in 1962 an increase of only 41% in gross income produced an increase of 108% in net earnings, after provision for income taxes, and an increase of 87% in earnings before provision for income taxes, appears to confirm this belief.

Earnings per common share, after deducting preferred dividends, based on average common shares outstanding of 905,000, increased 191% to $.64 from $.22.

RECORD OF EARNINGS



Year	*Before Tax*	*After Tax*
1962	$1,533,260	$837,260
1961	820,774	402,774
1960	905,727	438,727
1959	558,929	294,929
1958	453,378	233,378
1957	198;767	105,073
1956	88,164	57,164

Volume and Receivables

VOLUME

Total volume increased $51,373,632 or 49% to $156,976,456 from $105,602,824. Retail increased $26,105,230 or 53% to $75,540,663 from $49,435,433 and represents 48% of total volume. Small Loan increased $13,618,725 or 51% to $40,227,397 from $26,608,672 and represents 26% of total volume. Wholesale increased $11,317,045 or 40% to $39,490,993 from $28,173,948 and represents 25% of total volume.

RECEIVABLES

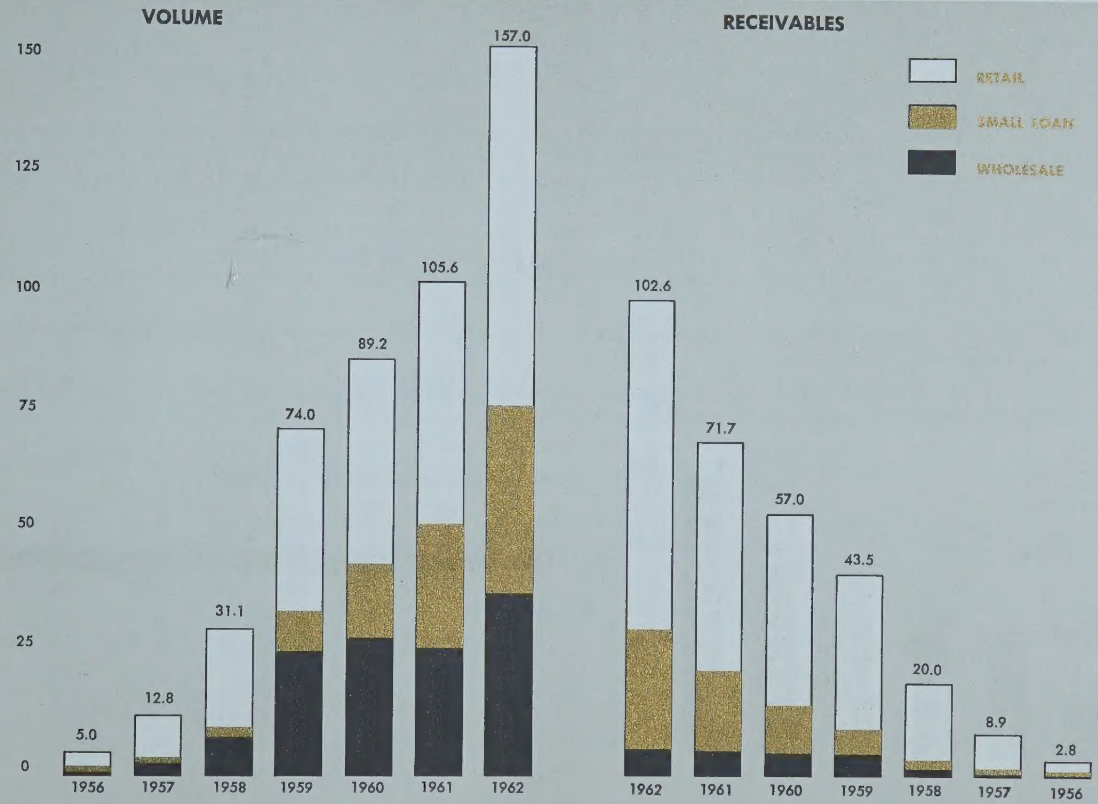
Total receivables increased $30,845,280 or 43% to $102,603,723 from $71,758,443. Retail receivables increased $22,178,881 or 48% to $68,182,338 from $46,003,457, and represents 66% of total receivables. Small Loan receivables increased $8,129,333 or 48% to $25,100,669 from $16,971,336 and represents 25% of total receivables. Wholesale receivables increased negligibly to $6,909,508 from $6,807,906, and represents only 7% of total receivables. Even though retail receivables increased 48%, your Company was able to accomplish a reduction in wholesale from 9% to 7% of total receivables.

Approximately 65% of retail receivables are secured by auto and 10% by mobile home. The balance is secured by appliance, marine, home improvement, machinery and equipment, etc. Approximately 54% of Small Loans are secured by household goods only, and 40% by auto or auto and household goods. Only 6% are unsecured. New Auto represents 70% of the security on wholesale, 15% is represented by used auto, and 11% by mobile homes.

DEFERRED INCOME AND LOSS RESERVES

Deferred income increased 73% to $6,911,320 from $3,999,158, and represents 10.42% of retail receivables on which interest is not separately stated, as compared to 8.96% at the end of 1961. These reserves will be taken into income as the remaining installments of these receivables are paid.

Loss reserves increased 50% to $1,567,128 from $1,044,271. In addition $1,057,239 has been withheld on contracts purchased and, subject to certain conditions, is available to offset losses. Considering the continuing satisfactory trend of delinquency and losses, these amounts are more than adequate to permit the proper liquidation of receivables.



VOLUME
RECEIVABLES
RETAIL
SMALL LOAN
WHOLESALE
150
125
100
75
50
25
0
157.0
105.6
89.2
74.0
31.1
12.8
5.0
1956
1957
1958
1959
1960
1961
1962
102.6
71.7
57.0
43.5
20.0
8.9
2.8
1962
1961
1960
1959
1958
1957
1956

Financial Position

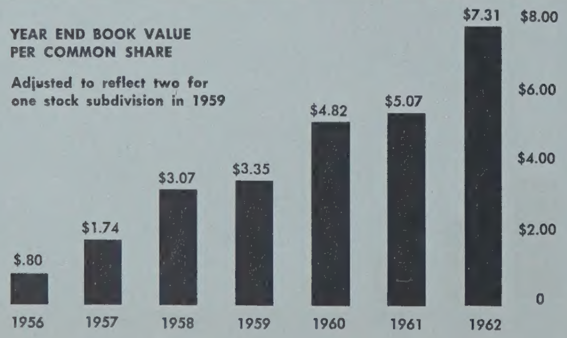
Total Senior Debt increased $25,067,450 to $76,374,281 from $51,306,831. Bank borrowings represented $18,576,702 of this increase and long term $6,790,774. Commercial paper was reduced $300,026.

Bank lines of credit at year end totalled $44,000,000 with 15 banks as compared to $27,450,000 with 12 banks a year earlier. Lines of credit with our 5 Canadian banks increased to $27,000,000 from $13,450,000. United States bank lines of credit increased to $17,000,000 with 10 banks from $14,000,000 with 7 banks. Since year end, United States bank lines of credit have been increased $3,000,000 to $20,000,000 with 12 banks.

Capital funds increased $5,894,316 to $23,316,462 from $17,422,146. During the year, 75,000 Common Shares were placed privately with two institutional investors for $1,500,000 and 28,404 Common Shares valued at $568,080, were issued in exchange for the balance of the outstanding Shares of London and Midland General Insurance Company. Preferred was increased $1,200,000 (less $190,000 sinking fund payment).

The $1,200,000 preferred referred to in the above paragraph is part of a $5,000,000 convertible preferred issue. The balance of $3,800,000 was closed subsequent to year end.

On January 15, 1963, all of the $1,472,500 second preference shares outstanding at December 31st, were converted into Common Shares in accordance with the conversion privileges attaching to such shares.

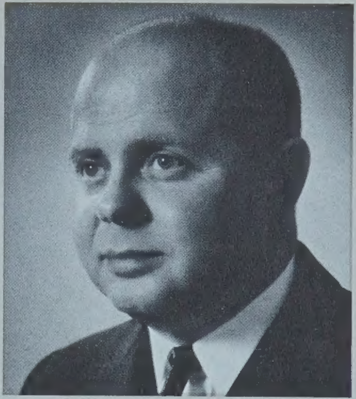


BORROWED AND EQUITY CAPITAL STRUCTURE

YEAR	*Senior Short Term*	*Senior Long Term*	*Senior Subord-inated*	*Junior Subord-inated*	*Pre-ferred Shares*	*Common and Surplus*	*TOTAL*
1962	50,912	25,463	6,572	4,358	5,343	7,043	99,691
1961	32,635	18,672	5,243	3,506	4,333	4,340	68,729
1960	28,737	11,252	4,376	2,846	3,398	4,089	54,698
1959	29,168	1,421	3,225	2,131	3,400	2,490	41,835
1958	17,620	2,892	550	2,131	3,400	2,244	28,837
1957	5,293	——	700	550	200	994	7,737
1956	1,789	——	150	100	200	336	2,575

In thousands of dollars

Development



During the year, your Company increased its total branches by 28% to 129 from 101. A total of 25 new branches were opened, 22 by the Small Loan Division and 3 by the Insurance Division. An additional 3 insurance branches were acquired through the purchase of London and Midland General Insurance Company. Further branch expansion of the Acceptance, Small Loan and Insurance Divisions has taken place since year end and will continue throughout 1963.

In July your Company exchanged 28,404 Common Shares for the balance of the outstanding shares of London and Midland General Insurance Company. London and Midland is licensed to write all forms of insurance other than life insurance. It writes insurance, exclusively through agents, in the provinces of Ontario, Quebec, Nova Scotia and New Brunswick. Their progress and profits since July have been most gratifying, and we are certain it will prove to be a valuable addition to your group of Companies.

In December, your Company entered into a purchase-option agreement with the owners of the Colorado Industrial Bank and 13 affiliated companies. All companies operate in the greater Denver, Colorado area. Total assets are in excess of $10,000,000. On January 16, 1963 the purchase was completed. This is your Company's first venture into the United States and your Management is certain the excellent condition of the Colorado Companies, quality of their personnel, margin of profits and stability and growth of the geographical area, will produce a sound base for substantially increased growth and profits in the United States in future years.

Certainly the success your Company has had in recent years in growing at a much greater rate than the industry, is due in no small part to the excellent quality of branch, supervisory and executive personnel. Extensive training programs have been in effect for the past three years to assist our personnel, not only in learning the technical aspects of our business, but also to be effective, courteous and respectful in their constant contacts with the public which is of such major importance in a service business such as ours. In 1963 our training programs are being further expanded to provide an ample reservoir of trained personnel at all levels to support the aggressive, substantial and continued profitable growth of your Company planned for 1963 and future years.

PRESIDENT.

Delta Acceptance Corporation, Limited

(Incorporated under the laws of Ontario) and its subsidiaries

STATEMENT 1

ASSETS

	1962	1961
Contracts receivable (see note 2)	$102,603,723	$71,758,443
Less allowance for losses on collection	1,567,128	1,044,271
	$101,036,595	$70,714,172
Cash	5,059,025	3,059,184
Overpayment of taxes on income	65,995	123,447
Prepaid interest and insurance	105,589	57,913
Investment in shares of London and Midland General Insurance Company — at cost (see note 1)		56,450
Assets of insurance subsidiaries (see note 3)	2,101,441	503,986
	$108,368,645	$74,515,152
Deposit on option to purchase shares of Colorado Industrial Bank and its affiliated companies (see note 1)	$ 540,000	
Sundry amounts receivable and prepaid expenses	82,666	$ 44,039
Repossessions — at approximate market value	3,767	1,993
Leasehold improvements — at cost less accumulated amortization of $126,385 in 1962 and $88,596 in 1961	123,960	101,184
Discount and expenses in connection with the issue of notes, debentures and shares — less amortization (accumulated tax reductions resulting from claiming certain of these deferred expenses for income tax purposes are included with liabilities in the amount of $49,000) (see note 13)	107,054	104,016
Deferred cost of developing newly established offices (accumulated tax reductions resulting from claiming these deferred costs for income tax purposes are included with liabilities in the amount of $258,000) (see notes 4 and 13)	505,436	443,971
	$ 1,362,883	$ 695,203
Goodwill on consolidation — at cost less amounts written off	$ 624,259	$ 320,000
	$110,355,787	$75,530,355

On behalf of the Board,

Director *Ruyfantis*

Director *R. Weldon*

The attached "Notes to the Consolidated Financial Statements" should be read together with this statement.

BALANCE SHEET

with comparative figures at December 31, 1961)

LIABILITIES

	1962	1961
Accounts payable and accrued charges	$ 1,018,730	$ 852,556
Dividends payable	24,561	21,627
Taxes payable	431,688	451,032
Provision for outstanding insurance claims	632,782	18,002
	$ 2,107,761	$ 1,343,217
Senior notes payable (see note 5)	76,203,281	51,132,331
Subordinated notes payable (see note 6)	6,571,733	5,243,771
Junior subordinated notes payable (see note 7)	4,352,161	3,505,671
Sinking fund debentures payable by subsidiary companies less cash on deposit thereagainst (see note 8)	171,000	174,500
Amounts withheld on contracts purchased	1,057,239	1,126,620
Total liabilities (see note 9)	$ 90,463,175	$62,526,110
Unearned discount and service charges	$ 6,911,320	$ 3,999,158
Unearned premiums of insurance subsidiaries	282,329	60,802
Accumulated tax reductions applicable to future years (see note 13)	307,000	271,000
	$ 7,500,649	$ 4,330,960
Minority interest in subsidiary companies	$ 136	$ 581
Shareholders:		
Capital (see note 10) — preference shares	$ 5,342,500	$ 4,332,500
common shares	5,684,116	3,557,036
Reserve for foreign exchange fluctuations (see note 9)	80,000	
Earned surplus (see note 11) — statement 3	1,285,211	783,168
	$ 12,391,827	$ 8,672,704
	$110,355,787	$75,530,355

AUDITORS' REPORT

To the Shareholders,
Delta Acceptance Corporation Limited,
LONDON, Canada.

We have examined the consolidated balance sheet of Delta Acceptance Corporation Limited and its subsidiaries as at December 31, 1962 and the consolidated statements of profit and loss and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Except that provision has not been made for the foreign exchange adjustment of $1,780,000 referred to in Note 9, in our opinion the accompanying consolidated balance sheet and consolidated statements of profit and loss and earned surplus present fairly the financial position of the companies as at December 31, 1962 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

London, Canada,
February 21, 1963.

CLARKSON, GORDON & CO.
Chartered Accountants.

Statement of Consolidated Profit and Loss

STATEMENT 2

	1962	1961
Income:		
Interest, discount and service charges earned	$12,419,364	$8,912,455
Underwriting profit of insurance subsidiaries	418,668	178,937
	$12,838,032	$9,091,392
Expenses:		
New business, collection and administrative expenses—		
Executive remuneration	$ 169,605	$ 153,331
Salaries and wages	2,288,969	1,631,360
Regional expenses	298,177	177,836
Management fee of insurance subsidiaries	19,346	54,428
Legal and audit services	85,136	45,525
Rental and depreciation of equipment and amortization of leased premises	109,081	76,054
Other general and administrative expenses	2,229,047	1,777,359
Less credit for deferred cost of developing newly established offices — net (see note 4)	(61,465)	(122,407)
	$ 5,137,896	$3,793,486
	$ 7,700,136	$5,297,906
Other expenses —		
Allowance for losses on collection of contracts	$ 1,709,199	$1,380,061
Cost of borrowing	4,457,677	3,097,071
	$ 6,166,876	$4,477,132
Consolidated profit before taxes on income	$ 1,533,260	$ 820,774
Taxes on income (see note 13)	696,000	418,000
Consolidated net profit for year (see note 13)	$ 837,260	$ 402,774

The attached "Notes to the Consolidated Financial Statements" should be read together with this statement.

Statement of Consolidated Earned Surplus

STATEMENT 3

	[redacted]	1961
Balance of surplus at beginning of year		$ 632,426
Add consolidated net profit for year — statement 2		402,774
		$1,035,200
Deduct:		
Dividends paid on preference shares during the year —		
6% first preference shares Series A		$ 105,450
5½% first preference shares Series B		19,625
5⅞% second preference shares		86,957
5½% third preference shares Series A		
		$ 212,032
Amount written off goodwill on consolidation		40,000
Appropriation to reserve for foreign exchange fluctuations		
		$ 252,032
Balance of surplus at end of year		$ 783,168

The attached "Notes to the Consolidated Financial Statements" should be read together with this statement.

Notes to the Consolidated Financial Statements

Note 1 — ACQUISITION OF SUBSIDIARY COMPANIES

As of July 1, 1962 Delta Acceptance Corporation Limited acquired 162,289 shares of London and Midland General Insurance Company, being the balance of the outstanding shares of that company, (5,170 of such shares had been acquired in prior years) in exchange for 28,404 of its own common shares which were issued from treasury and valued at a total of $568,080. Accordingly the assets and liabilities of London and Midland General Insurance Company are included in the attached consolidated balance sheet as at December 31, 1962 and the earnings of this new subsidiary for the six months from July 1, 1962 to December 31, 1962 are included with consolidated earnings shown in the attached statement of consolidated profit and loss.

In January of 1963 Delta Acceptance Corporation Limited, in accordance with the terms of an option obtained in 1962, also acquired all of the outstanding shares of Colorado Industrial Bank and 13 affiliated companies which carry on operations in the State of Colorado. The total conisderation of $8,240,000 (Canadian funds) for this purchase was satisfied as follows:

Cash payment on receipt of option (paid out in 1962)	$ 540,000
Cash payment on closing in 1963	4,860,000
Issue from treasury in 1963 of 28,400 first preference shares Series C at par value	2,840,000
	$8,240,000

Funds to finance the cash payment made on closing were provided from cash on hand at December 31, 1962 which arose in part from the issue and sale of 12,000 third preference shares Series A late in 1962 and from the sale in 1963 of an additional 38,000 of such shares.

The assets, liabilities and earnings of Colorado Industrial Bank and its affiliated companies are not included in the attached consolidated financial statements as at December 31, 1962.

Notes to the Consolidated Financial Statements

Note 2 — CONTRACTS RECEIVABLE

Contracts receivable at December 31, 1962 and 1961 comprise:

	[redacted]	1961
Retail contracts	[redacted]	$ 46,003,457
Wholesale contracts	[redacted]	6,807,906
Capital loans	[redacted]	1,975,744
Small loans		
— principal	[redacted]	16,845,336
— accrued interest	[redacted]	126,000
	[redacted]	$ 71,758,443

Note 3 — ASSETS OF INSURANCE SUBSIDIARIES

Assets of wholly-owned subsidiary insurance companies at December 31, 1962 and 1961 (excluding cash) consisted of:

	[redacted]	1961
Amounts due from insurance agents and re-insurance companies	[redacted]	$ 49,430
Investments — at cost plus accrued interest —		
On deposit with Department of Insurance	[redacted]	152,668
Other	[redacted]	
(market value — 1962 — $1,166,300, 1961 — $158,206)		
Land, buildings and equipment held for sale — at cost	[redacted]	301,699
Land, buildings and equipment at cost less accumulated depreciation of $33,127	[redacted]	
Prepaid expenses and miscellaneous assets	[redacted]	189
	[redacted]	$ 503,986

Note 4 — DEFERRED COST OF DEVELOPING NEWLY ESTABLISHED OFFICES

The Crescent Finance Corporation, Limited (a small loan subsidiary) has continued the practice adopted by it during 1959 of deferring a portion of the operating expenses incurred by each new branch during its development period which is considered to be the first twelve months of operation. The amount deferred for each office is limited to $10,000 and is charged against operations during the thirty-six months following the completion of the development period. The total amount of $505,436 deferred at December 31, 1962 (before accumulated tax reductions of $258,000 resulting from claiming this amount for income tax purposes) is related to sixty-one of the branches opened since January 1, 1959 in respect of which deferred costs have not yet been fully amortized.

Note 5 — SENIOR NOTES PAYABLE

Particulars of Senior Notes Payable at December 31, 1962 and 1961 are as follows:

	[illegible]	1961
Senior short term notes:		
Due to bankers — (United States funds — $25,900,000 in 1962)	[illegible]	$11,386,767
— (Canadian funds)	[illegible]	9,113,673
Due to others — (United States funds — $6,655,000 in 1962)	[illegible]	6,009,863
— (Canadian funds)	[illegible]	6,124,730
	[illegible]	$32,635,033
Senior term notes:		
6½% maturing $50,000 annually February 15, 1963 to 1970 (United States funds—$400,000)	[illegible]	$ 442,490
6½% Series "D" maturing $334,000 annually January 1, 1963 to 1975 (United States funds—$4,332,000)	[illegible]	4,446,837
6½% Series "E" maturing $600,000 annually May 15, 1963 to 1967 (United States funds—$3,000,000)	[illegible]	2,898,028
6⅜% Series "F" maturing $300,000 annually September 15, 1963 to 1971 (United States funds—$2,700,000)	[illegible]	2,893,500
6% Series "G" maturing $800,000 annually June 1, 1964 to June 1, 1973 (United States funds—$8,000,000)	[illegible]	7,816,443
6% Series "H" maturing $750,000 annually March 1, 1965 to 1974 (United States Funds—$7,500,000)	[illegible]	
	[illegible]	$18,497,298
	[illegible]	$51,132,331

Note 6 — SUBORDINATED NOTES PAYABLE

Particulars of the subordinated notes payable at December 31, 1962 and 1961 are as follows:

	[illegible]	1961
6% maturing $137,500 annually August 1, 1966 to 1969	[illegible]	$ 550,000
6½% Series "D" maturing $250,000 annually June 1, 1965 to 1974 (United States funds—$2,500,000)	[illegible]	2,431,433
6¼% Series "F" maturing December 1, 1962 (United States funds—$700,000)		679,938
6½% Series "G" maturing $160,000 annually August 1, 1967 to 1976 (United States funds—$1,600,000)	[illegible]	1,582,400
6¼% Series "H" maturing $170,000 annually March 15, 1968 to 1977 (United States funds—$1,700,000)	[illegible]	
6¼% Series "I" maturing $30,000 annually March 15, 1968 to 1977	[illegible]	
	[illegible]	$5,243,771

Note 7 — JUNIOR SUBORDINATED NOTES PAYABLE

Particulars of the junior subordinated notes payable at December 31, 1962 and 1961 are as follows:

	[illegible]	1961
6½% maturing $112,500 annually August 1, 1966 to 1969	[illegible]	$ 450,000
6½% Series "B" maturing $55,000 annually September 15, 1964 to 1970 (United States funds—$385,000)	[illegible]	472,511
6½% Series "D" due December 1, 1969 (United States funds—$1,200,000)	[illegible]	1,153,660
6¼% Series "E" maturing $150,000 April 15, 1965 and $300,000 annually April 15, 1966 to 1969 and $150,000 April 15, 1970 (United States funds—$1,500,000)	[illegible]	1,429,500
6¾% Series "F" maturing $55,000 annually March 15, 1968 to 1977 (United States funds—$550,000)	[illegible]	
6¾% Series "G" maturing $40,000 annually March 15, 1968 to 1977	[illegible]	
	[illegible]	$3,505,671

Notes to the Consolidated Financial Statements

Note 8 — SINKING FUND DEBENTURES PAYABLE

Particulars of the sinking fund debentures payable by subsidiary companies at December 31, 1962 and 1961 are as follows:

		1961
Empire Acceptance Corporation Limited (a subsidiary of Consolidated Finance Co. Ltd.)—	[redacted]	
5½% convertible redeemable sinking fund debentures Series "A" due March 1, 1968		$ 360,000
Deduct debentures purchased and held for sinking fund		185,500
		$ 174,500

In addition Consolidated Finance Co. Limited has outstanding 518,500 of 5%, 5½% and 6% sinking fund debentures maturing from 1965 to 1968. This liability, however, is offset completely by cash and debentures held in the sinking fund and by cash placed on deposit for the purchase of the debentures.

Note 9 — LIABILITIES IN UNITED STATES FUNDS

The operating policy of the company contemplates the borrowing of substantial sums in United States funds on a continuing basis and provides for the refunding of such liabilities as they mature with new borrowings in United States funds. For this reason and in accordance with the practice adopted in prior years, net amounts owing to bankers and noteholders in United States funds are recorded in the attached consolidated balance sheet at the equivalent amount in Canadian funds at the exchange rate prevailing at the time each original liability was incurred. Under this practice no adjustment is made when original liabilities are refunded from the proceeds of subsequent borrowings, and liabilities in United States funds incurred for this purpose are recorded in Canadian funds based on the exchange rate applicable to the original borrowing rather than in effect at the time of the refunding. As a result of this practice, net amounts owing in United States funds which totalled $63,670,159 at December 31, 1962 ($42,145,567 at December 31, 1961) are included in the attached balance sheet at $64,107,021 ($41,022,625 at December 31, 1961).

If all indebtedness payable in United States funds had been discharged at the exchange rate in effect at December 31, 1962 the amount of Canadian funds required would have been approximately $4,510,000 more ($2,967,000 more at December 31, 1961) than the amounts at which these liabilities are included in the balance sheet as at that date.

Of the total exchange difference of $4,510,000 at December 31, 1962, approximately $1,780,000 is required to adjust refunding loans to the amount in Canadian funds based on the exchange rates prevailing at the dates when such loans were obtained and to increase indebtedness maturing within one year (including amounts due to bankers) to the equivalent amount in Canadian funds based on the exchange rate prevailing at December 31, 1962. The balance of approximately $2,730,000 represents the amount which would be required to adjust indebtedness maturing after December 31, 1963 to the exchange rate at December 31, 1962.

Accepted accounting practice would require an adjustment of approximately $1,780,000 as at December 31, 1962 to reflect that portion of the total exchange difference which is applicable to refunding loans and to indebtedness maturing within one year. Of this amount, $670,000 arose as a result of exchange fluctuations during the year 1962 and $1,110,000 arose during prior years.

This adjustment has not been made in the attached consolidated financial statements and the company has followed its consistent practice of not providing for the existing exchange difference although in 1962 an amount of $80,000 has been appropriated from earned surplus account to establish a reserve for foreign exchange fluctuations.

Note 10 — CAPITAL STOCK

Supplementary letters patent were obtained during the year creating 100,000 third preference shares with a par value of $100 each, issuable in series and providing that the first series of such shares would consist of 50,000 5½% cumulative, redeemable, convertible, sinking fund third preference shares Series "A".

Subsequent to December 31, 1962 supplementary letters patent were obtained providing for a third series of first preference shares consisting of 28,400 3% cumulative, redeemable, sinking fund first preference shares Series "C". Sinking fund requirements for these shares are as follows:

On or before	*Amount*
April 25, 1964	$700,000
April 25, 1965	$700,000
April 25, 1966	$600,000
April 25, 1967	$500,000
April 25, 1968	$340,000

Particulars of the company's authorized and issued capital stock at December 31, 1962 and 1961 are as follows:

	[redacted]		1961	
	[redacted]	[redacted]	*Authorized*	*Issued*
Preference shares—				
First preference shares of $100 par value each issuable in series				
Authorized less redeemed — 1962 — 146,200 shares	[redacted]			
— 1961 — 148,100 shares			$14,810,000	
Series "A" 6% cumulative sinking fund shares redeemable at $103.50 per share to May 15, 1963 and at decreasing amounts annually thereafter to May 15, 1969. Sinking fund requirements — 10% of outstanding par value in each year.				
Issued less redeemed — 1962 — 15,200 shares		[redacted]		
— 1961 — 17,100 shares				$ 1,710,000
Series "B" — 5½% cumulative sinking fund shares redeemable at par. Minimum sinking fund requirements — 10% of outstanding par value in each year commencing in 1969.				
Issued — 1962 and 1961 — 11,500 shares		[redacted]		1,150,000
Second preference shares of $100 par value each				
Authorized less converted — 1962 and 1961 — 14,725 shares	[redacted]		1,472,500	
5⅞% cumulative convertible sinking fund shares redeemable at par after January 16, 1966. Each $100 par value preference share convertible into 9 common shares to January 15, 1963 and subsequently at decreasing rates during a period ending January 15, 1969. Sinking fund requirements — 5% of outstanding par value in each year commencing in 1966.				
Issued less converted — 1962 and 1961 — 14,725 shares		[redacted]		1,472,500
NOTE: The 5⅞% second preference shares outstanding at December 31, 1962 were converted into common shares in January of 1963 in accordance with the conversion privileges attaching to such shares.				
Third preference shares of $100 par value each issuable in series				
Authorized — 100,000 shares	[redacted]			

Notes to the Consolidated Financial Statements

		Authorized	Issued
Series "A" — 5½% cumulative, convertible sinking fund shares redeemable at par. Each $100 par value preference share convertible into 5 common shares on or before October 15, 1970. Sinking fund requirements — 10% of outstanding par value in each year commencing August 15, 1970. Issued — 12,000 shares	[redacted]	$16,282,500	$ 4,332,500
Common shares of no par value —			
Authorized — 1962 and 1961 — 1,502,475 shares			
Issued — 1962 — 963,534 shares			$ 3,557,036
— 1961 — 855,880 shares			$ 3,557,036
			$ 7,889,536

During 1962, 1,900 6% Series "A" first preference shares were redeemed at par.
The following shares were allotted and issued during the year:
Third preference shares — Series "A" — 12,000 for cash of $1,200,000.

Common shares —	Number of common shares	Amount
For cash	79,250	$1,569,000
As full consideration on purchase of shares of London and Midland General Insurance Company	28,404	568,080
	107,654	$2,137,080

In addition to the capital stock issued at December 31, 1962, additional common shares were reserved as follows:

(a) for issue under conversion privileges attached to:	
(i) outstanding second preference shares (based on conversion privilege available until January 15, 1963 of 9 common shares for each $100 par value preference share)	*132,525 shares
(ii) third preference shares (based on conversion privilege available on or before October 15, 1970 of 5 common shares for each $100 par value preference share)	60,000 shares
(b) for issue against outstanding stock purchase warrants	
(i) expiring August 1, 1967 at $6.58 per share (issued to holder of subordinated notes)	30,775 shares
(ii) expiring May 15, 1963 at $7.26 per share (issued to holders of first preference shares Series "A")	32,076 shares
(iii) expiring June 30, 1969 at $16.00 per share (issued to holders of first preference shares Series "B")	23,000 shares
(c) for issue under options held by employees —	
(i) expiring December 31, 1963 at $12.00 per share	2,125 shares
(ii) expiring December 31, 1964 at $12.00 per share	3,000 shares
(iii) expiring December 31, 1966 at $16.00 per share	29,300 shares
(iv) expiring December 31, 1967 at $16.00 per share	7,300 shares
	320,101 shares

* As indicated in this note the conversion privileges attaching to the outstanding second preference shares were exercised in January of 1963, thus reducing the number of common shares reserved to 187,576.

Note 11 — RESTRICTIONS ON PAYMENT OF DIVIDENDS, ETC.

Delta Acceptance Corporation Limited has covenanted in Supplemental Trust Indentures securing outstanding notes payable not to make any stock payments (which include the payment of dividends on any class of its capital stock, purchase or redemption of any of such stock and any distribution in respect of such stock) other than any such payments which may be payable solely in stock of the company unless immediately thereafter and after giving effect to the stock payment in question:

(a) The aggregate amount of such stock payments made during the period subsequent to December 31, 1961 will be less than the sum of
  (i) the total consolidated net earnings of the company and its subsidiaries (as defined in the trust indentures) during such period, plus
  (ii) two hundred fifty thousand dollars ($250,000);

(b) the aggregate amount of such stock payments made upon or in respect of common shares of the company during the period subsequent to December 31, 1961 will be less than fifty percent (50%) of the total consolidated net earnings of the company and its subsidiaries during such period;

(c) The adjusted consolidated net worth of the company and its subsidiaries (as defined in the trust indentures) will not be reduced to less than $6,750,000.

The company is permitted, however, to retire any class of its capital stock by exchange for, or out of the proceeds of, a substantially concurrent sale of other shares of its stock and to pay dividends, without restriction, on any of its preference shares outstanding at December 31, 1961 and upon other preference shares issued in exchange therefore or for cash after December 31, 1961.

Note 12 — CONVERSION PRIVILEGE GRANTED BY SUBSIDIARY COMPANY

The outstanding debentures of Empire Acceptance Corporation Limited are convertible into common shares of that company at the rate of 5 shares for each $100 principal amount of debentures until March 1, 1963.

This conversion rate is substantially in excess of the current value of the shares of Empire Acceptance Corporation Limited.

Note 13 — TAXES ON INCOME

As a result of the carry-forward for tax purposes of losses incurred by one subsidiary company prior to its acquisition by Delta Acceptance Corporation Limited, taxes on income charged against consolidated profits for the year ended December 31, 1962 in the amount of $696,000 have been reduced by $71,000 from the amount which would otherwise be required and net profits for the year have been increased accordingly.

While consolidated profits for the 1962 year have been reduced by a provision for income taxes of $696,000, only $660,000 of such taxes will actually be payable in respect of the year's operations. The difference of $36,000 between the amount of taxes charged against the year's operations and taxes actually payable results from claiming for tax purposes in 1962 of:

(i) an amount of $61,465 representing the net cost of newly established offices which was not charged against the operations of the year but was deferred to future accounting periods as is explained in note 4	$33,000
(ii) An amount of $6,675 representing the net portion of expenses incurred in connection with the issue of securities which has also been deferred in the attached statements	3,000
	$36,000

This reduction in 1962 taxes payable is applicable to those future periods when amounts permitted as deductions from taxable income in respect of development expenses and the cost of security issues will be less than the portion of the deferred amounts deducted from profits in the annual financial statements. Accordingly, the reductions of $36,000 arising in 1962 together with reductions of $271,000 carried forward from prior years have been included in the attached consolidated balance sheet as "Accumulated tax reductions applicable to future years" in the total amount of $307,000 which represents reductions arising as follows:

From claiming for tax purposes deferred cost of developing newly established offices	$258,000
From claiming for tax purposes expenses in connection with issue of debentures, notes and shares	49,000
	$307,000

Branches

ACCEPTANCE BRANCHES

ALBERTA
- Calgary — 2
- Edmonton — 2
- Lethbridge

BRITISH COLUMBIA
- Kamloops
- New Westminster
- Vancouver
- Victoria

MANITOBA
- Winnipeg

NOVA SCOTIA
- Dartmouth
- Sydney

ONTARIO
- Barrie
- London
- North Bay
- Ottawa
- St. Catharines
- Sault Ste. Marie
- Sarnia
- Toronto

SASKATCHEWAN
- Regina
- Saskatoon

SMALL LOAN BRANCHES

ALBERTA
- Calgary — 2
- Camrose
- Edmonton — 3
- Lethbridge
- Wetaskiwin

BRITISH COLUMBIA
- Abbotsford
- Dawson Creek
- Fort St. John
- Kamloops
- Kimberley
- Mission City
- Nanaimo
- New Westminster
- Vancouver — 2
- Victoria

MANITOBA
- Thompson
- Winnipeg — 2

NEW BRUNSWICK
- Bathurst
- Campbellton
- Chatham
- Florenceville
- Fredericton
- Lancaster
- Moncton — 2
- Saint John
- St. George
- St. Stephen
- Sussex
- Woodstock

NEWFOUNDLAND
- Grand Falls
- St. John's — 2

NOVA SCOTIA
- Bridgewater
- Dartmouth
- Glace Bay
- Halifax
- Middleton
- New Glasgow
- North Sydney
- Sydney
- Truro

ONTARIO
- Arnprior
- Barrie
- Brantford
- Dundas
- Dunnville
- Fort William
- Gananoque
- Hamilton — 2
- Ingersoll
- Kingston
- Listowel
- London — 3
- Midland
- Milton
- North Bay
- Oshawa
- Ottawa — 2
- Owen Sound
- Paris
- Parry Sound
- Pembroke
- Port Arthur
- St. Catharines
- St. Marys
- St. Thomas
- Sarnia
- Sault Ste. Marie
- Stratford
- Sudbury — 2
- Tillsonburg
- Toronto
- Walkerton
- Wawa
- Windsor

PRINCE EDWARD ISLAND
- Summerside

QUEBEC
- Bagotville
- Cap-de-la-Madeleine
- Chateauguay
- Hull
- Lachine
- St. Hyacinthe
- St. Lambert
- Ste. Therese de Blainville
- Ville Jacques Cartier

SASKATCHEWAN
- Regina — 2
- Saskatoon

CAPITAL EQUIPMENT

ALBERTA
- Edmonton

ONTARIO
- Toronto

INSURANCE

ALBERTA
- Calgary

ONTARIO
- London — 2
- Toronto — 2

QUEBEC
- Montreal


ACCEPTANCE BRANCHES
CAPITAL EQUIPMENT
INSURANCE
SMALL LOAN BRANCHES

Major Operating Companies

Delta ACCEPTANCE CORPORATION LIMITED

THE *Crescent* FINANCE CORPORATION LIMITED

Adanac GENERAL INSURANCE COMPANY

London & Midland GENERAL INSURANCE COMPANY

and other subsidiary companie